

BAKERSFIELD CITY SCHOOL DISTRICT

Audit Report

COLLECTIVE BARGAINING PROGRAM

Chapter 961, Statutes of 1975,
and Chapter 1213, Statutes of 1991

July 1, 2008, through June 30, 2012



JOHN CHIANG
California State Controller

June 2014



JOHN CHIANG
California State Controller

June 18, 2014

Andrae Gonzales, President
Board of Education
Bakersfield City School District
1300 Baker Street
Bakersfield, CA 93305

Dear Mr. Gonzales:

The State Controller's Office audited the costs claimed by Bakersfield City School District for the legislatively mandated Collective Bargaining Program (Chapter 961, Statutes of 1975, and Chapter 1213, Statutes of 1991) for the period of July 1, 2008, through June 30, 2012.

The district claimed \$576,595 for the mandated program. Our audit found that \$104,342 is allowable and \$472,253 is unallowable. The costs are unallowable primarily because the district estimated total costs claimed, claimed activities that are not identified as reimbursable under the parameters and guidelines, claimed hours that were either misclassified or unsupported, and overstated its indirect costs. The State paid the district \$46,420. The State will pay allowable costs claimed that exceed the amount paid, totaling \$57,922, contingent upon available appropriations.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, by phone at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/kw

cc: Rob Arias, Ed.D., Superintendent
Bakersfield City School District
Sherry Gladin, Director
Fiscal Services Department
Bakersfield City School District
Natalie Sorhouet, Assistant Director
Fiscal Services Department
Bakersfield City School District

Steve Mattern, Director
District Advisory Services
Kern County Office of Education
Peter Foggato, Director
School Fiscal Services Division
California Department of Education
Carol Bingham, Senior Fiscal Policy Advisor
Government Affairs Division
California Department of Education
Thomas Todd, Assistant Program Budget Manager
Education Systems Unit
California Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Bakersfield City School District for the legislatively mandated Collective Bargaining Program (Chapter 961, Statutes of 1975, and Chapter 1213, Statutes of 1991) for the period of July 1, 2008, through June 30, 2012.

The district claimed \$576,595 for the mandated program. Our audit found that \$104,342 is allowable and \$472,253 is unallowable. The costs are unallowable primarily because the district estimated total costs claimed, claimed activities that are not identified as reimbursable under the parameters and guidelines, claimed hours that were either misclassified or unsupported, and overstated its indirect costs. The State paid the district \$46,420. The State will pay allowable costs claimed that exceed the amount paid, totaling \$57,922, contingent upon available appropriations.

Background

In 1975, the State enacted the Rodda Act (Chapter 961, Statutes of 1975), requiring the employer and employee to meet and negotiate, thereby creating a collective bargaining atmosphere for public school employers. The legislation created the Public Employment Relations Board to issue formal interpretations and rulings regarding collective bargaining under the Act. In addition, the legislation established organizational rights of employees and representational rights of employee organizations, and recognized exclusive representatives relating to collective bargaining.

On July 17, 1978, the Board of Control (now the Commission on State Mandates [CSM]) determined that the Rodda Act imposed a state mandate upon school districts reimbursable under Government Code section 17561.

Chapter 1213, Statutes of 1991, added Government Code section 3547.5, requiring school districts to publicly disclose major provisions of a collective bargaining effort before the agreement becomes binding.

On August 20, 1998, the CSM determined that this legislation also imposed a state mandate upon school districts reimbursable under Government Code section 17561. Costs of publicly disclosing major provisions of collective bargaining agreements that districts incurred after July 1, 1996, are allowable.

Claimants are allowed to claim increased costs. For components G1 through G3, increased costs represent the difference between the current-year Rodda Act activities and the base-year Winton Act activities (generally, fiscal year [FY] 1974-75), as adjusted by the implicit price deflator. For components G4 through G7, increased costs represent actual costs incurred.

The seven components are as follows:

- G1 - Determining bargaining units and exclusive representatives
- G2 - Election of unit representatives
- G3 - Costs of negotiations
- G4 - Impasse proceedings
- G5 - Collective bargaining agreement disclosure
- G6 - Contract administration
- G7 - Unfair labor practice costs

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted the parameters and guidelines on October 22, 1980 and amended them ten times, most recently on January 29, 2010. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and school districts in claiming mandated program reimbursable costs.

Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Collective Bargaining Program for the period of July 1, 2008, through June 30, 2012.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

Our audit found instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, Bakersfield City School District claimed \$576,595 for costs of the Collective Bargaining Program. Our audit found that \$104,342 is allowable and \$472,253 is unallowable.

For the FY 2008-09 claim, the State paid the district \$25,196. Our audit found that \$60,115 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$34,919, contingent upon available appropriations.

For the FY 2009-10 claim, the State paid the district \$21,224. Our audit found that \$25,448 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$4,224, contingent upon available appropriations.

For the FY 2010-11 claim, the State made no payment to the district. Our audit disclosed that \$16,021 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2011-12 claim, the State made no payment to the district. Our audit disclosed that \$2,758 is allowable. The State will pay that amount, contingent upon available appropriations.

**Views of
Responsible
Official**

We issued a draft report on June 2, 2014. Sherry Gladin, Director of Fiscal Services, stated in a letter dated June 6, 2014 (Attachment), that the district agreed with the audit results. This final audit report includes the district's response.

Restricted Use

This report is solely for the information and use of Bakersfield City School District, the Kern County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

June 18, 2014

Schedule 1— Summary of Program Costs July 1, 2008, through June 30, 2012

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2008 through June 30, 2009</u>				
Direct Costs:				
Component activities G1 through G3:				
Salaries and Benefits	\$ 143,014	\$ 27,583	\$ (115,431)	Finding 1
Materials and Supplies	950	—	(950)	Finding 2
Contract Services	—	19,642	19,642	Finding 3
Subtotal	143,964	47,225	(96,739)	
Less base year direct costs adjusted by implicit price deflator	(15,900)	(15,900)	—	
Increased direct costs, G1 through G3	128,064	31,325	(96,739)	
Component activities G4 through G7:				
Salaries and Benefits	68,237	1,777	(66,460)	Finding 1
Materials and Supplies	659	—	(659)	Finding 2
Contract Services	—	25,115	25,115	Finding 3
Increased direct costs, G4 through G7	68,896	26,892	(42,004)	
Total increased direct costs, G1 through G7	196,960	58,217	(138,743)	
Indirect costs	6,505	1,898	(4,607)	Finding 4
Total program costs	<u>\$ 203,465</u>	<u>60,115</u>	<u>\$ (143,350)</u>	
Less late filing penalty		—		
Less amount paid by the State		(25,196)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 34,919</u>		
<u>July 1, 2009 through June 30, 2010</u>				
Direct Costs:				
Component activities G1 through G3:				
Salaries and Benefits	\$ 160,001	\$ 22,815	\$ (137,186)	Finding 1
Materials and Supplies	5,529	—	(5,529)	Finding 2
Contract Services	—	6,251	6,251	Finding 3
Subtotal	165,530	29,066	(136,464)	
Less base year direct costs adjusted by implicit price deflator	(16,076)	(16,076)	—	
Increased direct costs, G1 through G3	149,454	12,990	(136,464)	
Component activities G4 through G7:				
Salaries and Benefits	110,349	1,828	(108,521)	Finding 1
Materials and Supplies	950	—	(950)	Finding 2
Contract Services	—	9,663	9,663	Finding 3
Increased direct costs, G4 through G7	111,299	11,491	(99,808)	
Total increased direct costs, G1 through G7	260,753	24,481	(236,272)	
Indirect costs	10,395	967	(9,428)	Finding 4
Total program costs	<u>\$ 271,148</u>	<u>25,448</u>	<u>\$ (245,700)</u>	
Less late filing penalty		—		
Less amount paid by the State		(21,224)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 4,224</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2010 through June 30, 2011</u>				
Direct Costs:				
Component activities G1 through G3:				
Salaries and Benefits	\$ 49,421	\$ 2,137	\$ (47,284)	Finding 1
Materials and Supplies	1,512	—	(1,512)	Finding 2
Contract Services	7,142	7,142	—	
Subtotal	58,075	9,279	(48,796)	
Less base year direct costs adjusted by implicit price deflator	(16,453)	(16,453)	—	
Subtotal	41,622	(7,174)	(48,796)	
Adjustment to eliminate negative balance	—	7,174	7,174	
Increased direct costs, G1 through G3	41,622	—	(41,622)	
Component activities G4 through G7:				
Salaries and Benefits	3,988	1,951	(2,037)	Finding 1
Materials and Supplies	907	—	(907)	Finding 2
Contract Services	13,467	13,467	—	
Increased direct costs, G4 through G7	18,362	15,418	(2,944)	
Total increased direct costs, G1 through G7	59,984	15,418	(44,566)	
Indirect costs	2,345	603	(1,742)	Finding 4
Total program costs	<u>\$ 62,329</u>	16,021	<u>\$ (46,308)</u>	
Less late filing penalty		—		
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 16,021</u>		
<u>July 1, 2011 through June 30, 2012</u>				
Direct costs:				
Component activities G1 through G3:				
Salaries and Benefits	\$ 44,807	\$ 4,020	\$ (40,787)	Finding 1
Materials and Supplies	406	—	(406)	Finding 2
Contract Services	5,171	5,171	—	
Subtotal	50,384	9,191	(41,193)	
Less base year direct costs adjusted by implicit price deflator	(17,009)	(17,009)	—	
Subtotal	33,375	(7,818)	(41,193)	
Adjustment to eliminate negative balance	—	7,818	7,818	
Increased direct costs, G1 through G3	33,375	—	(33,375)	
Component activities G4 through G7:				
Salaries and Benefits	422	597	175	Finding 1
Materials and Supplies	282	—	(282)	Finding 2
Contract Services	3,979	2,049	(1,930)	Finding 3
Increased direct costs, G4 through G7	4,683	2,646	(2,037)	
Total increased direct costs, G1 through G7	38,058	2,646	(35,412)	
Indirect costs	1,595	112	(1,483)	Finding 4
Total program costs	<u>\$ 39,653</u>	2,758	<u>\$ (36,895)</u>	
Less late filing penalty		—		
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 2,758</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>Summary: July 1, 2008 through June 30, 2012</u>				
Direct costs				
Component activities G1 through G3:				
Salaries and Benefits	\$ 397,243	\$ 56,555	\$ (340,688)	
Materials and Supplies	8,397	—	(8,397)	
Contract Services	12,313	38,206	25,893	
Subtotal	417,953	94,761	(323,192)	
Less base year direct costs adjusted by implicit price deflator	(65,438)	(65,438)	—	
Subtotal	352,515	29,323	(323,192)	
Adjustment to eliminate negative balance	—	14,992	14,992	
Increased direct costs, G1 through G3	352,515	44,315	(308,200)	
Component activities G4 through G7:				
Salaries and Benefits	182,996	6,153	(176,843)	
Materials and Supplies	2,798	—	(2,798)	
Contract Services	17,446	50,294	32,848	
Increased direct costs, G4 through G7	203,240	56,447	(146,793)	
Total increased direct costs, G1 through G7	555,755	100,762	(454,993)	
Indirect costs	20,840	3,580	(17,260)	
Total program costs	<u>\$ 576,595</u>	104,342	<u>\$ (472,253)</u>	
Less amount paid by the State		(46,420)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 57,922</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

FINDING 1— Unallowable salaries and benefits

The district claimed \$580,239 in salaries and benefits for the audit period. We found that \$62,708 is allowable and \$517,531 is unallowable. The costs are unallowable because the district claimed unsupported, ineligible, misclassified, and unclaimed costs.

The following table summarizes the audit adjustments to salaries and benefits by reimbursable cost components and fiscal year:

Salaries and Benefits Reimbursable components	Amount Claimed	Amount Allowable	Audit Adjustment
<u>FY 2008-09</u>			
G1 - Determining Bargaining Units	\$ 8,384	\$ 916	\$ (7,468)
G3 - Cost of Negotiations	134,630	26,667	(107,963)
G4 - Impasse Proceedings	2,448	—	(2,448)
G5 - Collective Bargaining Agreement Disclosure	816	—	(816)
G6 - Contract Administration	50,123	1,275	(48,848)
G7 - Unfair Labor Practice Charges	14,850	502	(14,348)
Subtotal, FY 2008-09	211,251	29,360	(181,891)
<u>FY 2009-10</u>			
G1 - Determining Bargaining Units	5,468	—	(5,468)
G3 - Cost of Negotiations	154,533	22,815	(131,718)
G4 - Impasse Proceedings	8,792	—	(8,792)
G5 - Collective Bargaining Agreement Disclosure	9,255	822	(8,433)
G6 - Contract Administration	86,443	674	(85,769)
G7 - Unfair Labor Practice Charges	5,859	332	(5,527)
Subtotal, FY 2009-10	270,350	24,643	(245,707)
<u>FY 2010-11</u>			
G3 - Cost of Negotiations	49,421	2,137	(47,284)
G5 - Collective Bargaining Agreement Disclosure	3,988	—	(3,988)
G6 - Contract Administration	—	1,654	1,654
G7 - Unfair Labor Practice Charges	—	297	297
Subtotal, FY 2010-11	53,409	4,088	(49,321)
<u>FY 2011-12</u>			
G3 - Cost of Negotiations	44,807	4,020	(40,787)
G5 - Collective Bargaining Agreement Disclosure	422	—	(422)
G6 - Contract Administration	—	597	597
Subtotal, FY 2011-12	45,229	4,617	(40,612)
<u>Total Salaries and Benefits</u>			
G1 - Determining Bargaining Units	13,852	916	(12,936)
G3 - Cost of Negotiations	383,391	55,639	(327,752)
G4 - Impasse Proceedings	11,240	—	(11,240)
G5 - Collective Bargaining Agreement Disclosure	14,481	822	(13,659)
G6 - Contract Administration	136,566	4,200	(132,366)
G7 - Unfair Labor Practice Charges	20,709	1,131	(19,578)
Total Salaries and Benefits	\$ 580,239	\$ 62,708	\$ (517,531)

The program's parameters and guidelines (section G) state:

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in-sheets, invoices, and receipts.

The parameters and guidelines (section D) state:

The costs for salaries and expenses of the governing authority, for example the School Superintendent and Governing Board, are not reimbursable. . . .

Component G1–Determining Bargaining Units and Exclusive Representation

For Component G1, the district claimed \$13,852 in salaries and benefits during the audit period. We found that all of the costs claimed are unallowable for salaries and benefits. However, the costs are reimbursable under contract services. Therefore, we reclassified the costs to contract services (see Finding 3). In addition, we found that the district did not claim 11.60 hours, totaling \$916, for time spent by a district representative on activities reimbursable under the mandated-costs program.

The following table summarizes the audit adjustments for the Determining Bargaining Unit cost component by fiscal year:

Type of adjustment	Fiscal Year		Total
	2008-09	2009-10	
Misclassified costs	\$ (8,384)	\$ (5,468)	\$ (13,852)
Unclaimed costs	916	—	916
Audit adjustment	<u>\$ (7,468)</u>	<u>\$ (5,468)</u>	<u>\$ (12,936)</u>

Component G3 – Cost of Negotiations

For Component G3, the district claimed \$383,391 in salaries and benefits during the audit period. The costs consisted of \$311,702 for planning and \$71,689 for at-table negotiations costs. We found that \$55,639 is allowable and \$327,752 is unallowable. The district claimed unsupported and ineligible costs and misclassified costs claimable under another cost component. In addition, the district did not claim costs reimbursable under the mandated-costs program.

The following table summarizes the audit adjustments for the Cost of Negotiations cost component by fiscal year:

Audit adjustment	Fiscal Year				Total
	2008-09	2009-10	2010-11	2011-12	
Planning:					
Unsupported costs	\$ (67,291)	\$ (61,433)	\$(22,896)	\$(15,026)	\$ (166,646)
Ineligible costs	(27,027)	(57,801)	(25,008)	(25,397)	(135,233)
Misclassified costs	(2,132)	(7,361)	—	—	(9,493)
Unclaimed costs	3,479	829	670	383	5,361
Total planning and preparation costs	(92,971)	(125,766)	(47,234)	(40,040)	(306,011)
At-table negotiations:					
Ineligible costs	(14,061)	(22,089)	(1,169)	(1,232)	(38,551)
Misclassified costs	(8,302)	—	—	—	(8,302)
Unclaimed costs	7,371	16,137	940	485	24,933
Total at-table negotiation costs	(14,992)	(5,952)	(229)	(747)	(21,920)
Final contract distribution					
Unclaimed costs	—	—	179	—	179
Audit adjustment	<u><u>\$(107,963)</u></u>	<u><u>\$(131,718)</u></u>	<u><u>\$(47,463)</u></u>	<u><u>\$(40,787)</u></u>	<u><u>\$ (327,752)</u></u>

The parameters and guidelines (section G3) state:

Negotiations: Reimbursable functions include – receipt of exclusive representative's initial contract proposal, holding of public hearings, providing a reasonable number of copies of the employer's proposed contract to the public, development and presentation of the initial district contract proposal, negotiation of the contract, reproduction and distribution of the final contract agreement.

The parameters and guidelines (section G3 (b)) state:

Show the costs of salaries and benefits for employer representatives and employees participating in negotiation planning sessions. Contracted services for employer representatives will be reimbursed. Salaries and benefits must be shown as described in Item H3.

Unsupported costs

The district claimed \$166,646 in unsupported costs. The costs relate to estimated time spent by staff at the end of each fiscal year for negotiation planning activities. For example, the hours claimed for the Employer-Employee Assistant were based on an estimated percentage allocation of 57% of her productive hours for the cost of negotiations cost component for the audit period.

The district did not provide source documentation supporting the costs claimed. The documentation provided corroborated the hours claimed. However, this corroborating evidence cannot be substituted for source documentation.

In addition, the corroborating evidence provided by the district (activity log sheets) showed that employees who claimed costs for planning sessions worked on an individual basis. Time spent by individuals to prepare and plan for negotiation sessions is not reimbursable.

Ineligible costs

The district claimed \$173,784 in ineligible costs, consisting of \$135,233 for negotiation planning sessions and \$38,551 incurred for at-table negotiations.

The ineligible costs consist of \$29,514 incurred by the Superintendent for FY 2009-10 and \$105,719 in cost for other district staff during the four-year audit period. Time spent by the Superintendent is not reimbursable by the parameters and guidelines. The remaining costs relate to time staff spent on negotiation planning. The district provided no support that the time relates to negotiation planning sessions reimbursable under the parameters and guidelines.

The ineligible at-table negotiation costs consist of \$8,433 incurred by the Superintendent for FY 2009-10 and \$30,118 incurred for salaries and benefits of the union representatives attending at-table negotiations.

Misclassified costs

The district misclassified \$17,795 in costs, consisting of \$9,493 for negotiation planning and \$8,302 for at-table negotiations. The costs relate to salaries and benefits for the Contract Administration cost component rather than the Cost of Negotiations cost component.

We found that the Contract Administration costs claimed under planning are not reimbursable under the mandated-costs program. For FY 2008-09, costs claimed totaling \$2,132 were estimated; the district provided no source documentation supporting the costs claimed. For FY 2009-10, the costs totaling \$7,361 were already claimed under the Contract Administration cost component.

We found that the costs claimed under at-table negotiation totaling \$8,302 for FY 2008-09 are reimbursable under the Contract Administration cost component. We reclassified these costs to the Contract Administration cost component.

Unclaimed costs

The district did not claim \$30,294 in eligible costs, consisting of \$5,361 for negotiation planning, \$24,933 for at-table negotiation sessions, and \$179 to distribute the final contract.

The unclaimed negotiation planning sessions relate to meetings between district representative and the district attorney. We identified these hours while reviewing detailed transactions on the attorney billings.

The unclaimed at-table negotiation costs consisted of \$24,838 in unclaimed employer representatives at negotiation meetings and \$95 in unclaimed costs for one substitute. We identified the unclaimed time while reviewing negotiation sign-in sheets and reconciling substitutes used for teacher participation during at-table negotiation.

The unclaimed final contract distribution costs of \$179 relate to supported time spent by the Employer-Employee Relations Assistance totaling 4.5 hours for FY 2010-11.

Component G4—Impasse Proceedings

For Component G4, the district claimed \$11,240 in salaries and benefits during the audit period. We found that the entire amount is unallowable. The costs are unallowable because the district claimed unsupported costs totaling \$4,916 and ineligible costs totaling \$6,324.

The following table summarizes the audit adjustments for Impasse Proceedings cost component by fiscal year:

Type of adjustment	Fiscal Year		Total
	2008-09	2009-10	
Unsupported costs	\$ (2,448)	\$ (2,468)	\$ (4,916)
Ineligible costs	—	(6,324)	(6,324)
Audit adjustment	<u>\$ (2,448)</u>	<u>\$ (8,792)</u>	<u>\$ (11,240)</u>

The parameters and guidelines (section G4) state:

- a. Mediation
 - 1) Costs for salaries and benefits for employer representative personnel are reimbursable. Contracted services will be reimbursed. Costs for a maximum of five public school employer representatives per mediation session will be reimbursed.

For both FY 2008-09 and FY 2009-10, the district claimed 54 hours for the Employer-Employee Assistant based on a predetermined percentage allocation of 3% of her productive hours. The district did not provide any source documents supporting the costs claimed.

For FY 2009-10, the district also claimed 54 hours for the Superintendent based on a predetermine percentage allocation of 3%. Costs claimed by a superintendent are not reimbursable under the mandated-costs program.

Component G5—Collective Bargaining Agreement Disclosure

For Component G5, the district claimed \$14,481 during the audit period. We found that \$822 is allowable and \$13,659 is unallowable. The costs are unallowable because the district claimed unsupported and ineligible cost.

The following table summarizes the audit adjustments for the Collective Bargaining Agreement Disclosure cost component by fiscal year:

Type of adjustment	Fiscal Year				Total
	2008-09	2009-10	2010-11	2011-12	
Unsupported costs	\$ (816)	\$ —	\$ (3,988)	\$ (422)	\$ (5,226)
Ineligible costs	—	(8,433)	—	—	(8,433)
Audit adjustment	<u>\$ (816)</u>	<u>\$ (8,433)</u>	<u>\$ (3,988)</u>	<u>\$ (422)</u>	<u>\$ (13,659)</u>

The parameters and guidelines (section G5) state:

Disclosure of collective bargaining agreement *after* negotiation and *before* adoption by governing body, as required by Government Code section 3547.5 and California State Department of Education Management Advisory 92-01 (or subsequent replacement), attached to the amended Parameters and Guidelines.

- a. Prepare the disclosure forms and documents, as specified.
- b. Distribute a copy of the disclosure forms and documents, to board members, along with a copy of the proposed agreement, as specified.
- c. Make a copy of the disclosure forms and documents and of the proposed agreement available to the public, prior to the day of the public meeting, as specified.

The district claimed unsupported costs totaling \$5,226 for FY 2008-09, FY 2010-11, and FY 2011-12. The district claimed 18 hours for the Employer-Employee Assistant based on an estimated percentage allocation of 1% of her productive hours. The district did not provide any source documents supporting costs claimed.

The district also claimed ineligible costs totaling \$8,433 for FY 2009-10. The district claimed 72 hours for the Superintendent based on an estimated percentage allocation of 4%. Costs claimed by a superintendent are not reimbursable under the mandated-costs program.

Component G6—Contract Administration

For Component G6, the district claimed \$136,566 in salaries and benefits during the audit period. We found that \$4,200 is allowable and \$132,366 is unallowable. The district claimed unsupported and ineligible costs and misclassified costs claimable under another cost component. In addition, the district did not claim costs reimbursable under the mandated-costs program.

The following table summarizes the audit adjustments for the Contract Administration cost component by fiscal year:

Type of adjustment	Fiscal Year				Total
	2008-09	2009-10	2010-11	2011-12	
Contract interpretation:					
Unsupported costs	\$ (39,162)	\$ (27,283)	\$ —	\$ —	\$ (66,445)
Ineligible costs	—	(44,271)	—	—	(44,271)
Total contract interpretation	(39,162)	(71,554)	—	—	(110,716)
Grievance:					
Unsupported costs	(2,022)	(2,546)	—	—	(4,568)
Ineligible costs	—	(8,433)	—	—	(8,433)
Misclassified costs	(7,789)	(3,267)	—	—	(11,056)
Unclaimed costs	125	31	1,654	597	2,407
Total grievance	(9,686)	(14,215)	1,654	597	(21,650)
Audit adjustment	\$ (48,848)	\$ (85,769)	\$ 1,654	\$ 597	\$ (132,366)

The parameters and guidelines (section G6) state:

Contract administration and adjudication of contract disputes either by arbitration or litigation. Reimbursable functions include grievances and administration and enforcement of the contract.

- a. Salaries and benefits of employer personnel involved in adjudication of contract disputes. Contracted services will be reimbursed.
- c. Reasonable costs incurred for a reasonable number of training sessions held for supervisory and management personnel on contract administration/interpretation of the negotiated contract are reimbursable. Contract interpretations at staff meetings are not reimbursable.

Unsupported costs

The district claimed \$71,013 in estimated costs, consisting of \$66,445 for contract interpretation and \$4,568 for work on grievances.

The district claimed \$39,162 for FY 2008-09 and \$27,283 for FY 2009-10 related to contract interpretation without providing any source documentation supporting the costs claimed.

- For the FY 2008-09 contract interpretation costs, the district claimed 807 hours for time spent by the Employer-Employee Relations Assistant and 72 hours for the School Secretary for contract interpretation costs. Ninety-five percent of the hours claimed for the Employer-Employee Relations Assistant (768 hours) relate to an estimated four days claimed each month for two collective bargaining units. The remaining hours claimed for this employee (39 hours) relates to time researching wages, preparing reports, generating monthly letters and reports, and running reports for one of the collective bargaining unit.

- For FY 2009-10 contract interpretation costs, the district claimed 597 hours for time spent by the Employer-Employee Relations Assistant for contract interpretation. The district claimed time based on an estimated percentage to generate letters and reports regarding release of confidential information to unions; run reports for unions regarding unit member and service fee payers; and to research specific provision and negotiated items included in collective bargaining agreement, salaries and job descriptions, and prevailing wages.

The district claimed \$2,022 (31 hours) for FY 2008-09 and \$2,546 (37 hours) for FY 2009-10 for time spent on grievances. The district did not provide any source documentation supporting the costs claimed.

Ineligible costs

The district claimed \$52,704 in ineligible costs for FY 2009-10 for time spent by the Superintendent, consisting of \$44,271 for contract interpretation and \$8,433 for work on grievances. Time spent by a superintendent is not reimbursable under the mandated-costs program.

Misclassified costs

The district claimed \$11,056 in contract services costs as salaries and benefits for FY 2008-09 and FY 2009-10. We found that these costs are reimbursable under the mandated-costs program. Therefore, we reclassified the costs to contract services (see Findings 3).

Unclaimed costs

The district did not claim \$2,407 in unclaimed costs for the audit period. The costs relate to work on grievances. We identified the unclaimed time from reviewing attorney billings.

Through a review of the external attorney invoices, we were able to identify district representatives who were involved in contract disputes and grievance-related activities. We allowed the costs of these employees, even though some of them were not claimed by the district.

Component G7—Unfair Labor Practice Charges

For Component G7, the district claimed \$20,709 in salaries and benefits during the audit period. We found that the entire costs claimed are unallowable under this cost component. The district claimed contract services costs as salaries and benefits. Therefore, we reclassified the costs to contract services (see Finding 3). In addition, the district did not claim allowable salaries and benefits for district representatives totaling \$1,131.

The following table summarizes the audit adjustments for the Unfair Labor Practice Charges cost component by fiscal year:

Audit adjustment	Fiscal Year			Total
	2008-09	2009-10	2010-11	
Misclassified contract services costs	\$ (14,850)	\$ (5,859)	\$ —	\$ (20,709)
Unclaimed allowable costs	502	332	297	1,131
Audit adjustment	<u>\$ (14,348)</u>	<u>\$ (5,527)</u>	<u>\$ 297</u>	<u>\$ (19,578)</u>

We identified the allowable costs by reviewing the external attorney invoices and determined that district representatives spent a total of 14.35 hours during the audit period on reimbursable activities related to unfair labor practice adjudication process.

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.7, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensure that all costs claimed are reimbursable per the parameters and guidelines, and are properly supported. Supporting documentations should identify the mandated functions performed as required by the claiming instructions.

District's Response

The district agreed with the finding.

**FINDING 2—
Unallowable materials
and supplies**

The district claimed \$11,195 in materials and supplies for the audit period. We found that the entire amount is unallowable. The costs are unallowable because the district claimed ineligible and misclassified costs.

The following table summarizes the audit adjustments for materials and supplies by reimbursable components for the audit period:

Materials and Supplies Reimbursable Components	Amount Claimed	Amount Allowable	Audit Adjustment
<u>FY 2008-09</u>			
G3 - Cost of Negotiations	\$ 950	\$ —	\$ (950)
G5 - Collective Bargaining Agreement Disclosure	112	—	(112)
G6 - Contract Administration	547	—	(547)
Subtotal, FY 2008-09	1,609	—	(1,609)
<u>FY 2009-10</u>			
G3 - Cost of Negotiations	5,529	—	(5,529)
G5 - Collective Bargaining Agreement Disclosure	77	—	(77)
G6 - Contract Administration	873	—	(873)
Subtotal, FY 2009-10	6,479	—	(6,479)
<u>FY 2010-11</u>			
G3 - Cost of Negotiations	1,512		(1,512)
G5 - Collective Bargaining Agreement Disclosure	161		(161)
G6 - Contract Administration	746		(746)
Subtotal, FY 2010-11	2,419		(2,419)
<u>FY 2011-12</u>			
G3 - Cost of Negotiations	406		(406)
G5 - Collective Bargaining Agreement Disclosure	48		(48)
G6 - Contract Administration	234		(234)
Subtotal, FY 2011-12	688		(688)
Total	\$ 11,195		\$ (11,195)

The following table summarizes the audit adjustments for materials and supplies by fiscal year:

Type of adjustment	Fiscal Year				Total
	2008-09	2009-10	2010-11	2011-12	
Ineligible costs	\$ (1,609)	\$ (1,098)	\$ (2,419)	\$ (688)	\$ (5,814)
Misclassified costs	—	(5,381)	—	—	(5,381)
Audit adjustment	<u>\$ (1,609)</u>	<u>\$ (6,479)</u>	<u>\$ (2,419)</u>	<u>\$ (688)</u>	<u>\$ (11,195)</u>

The parameters and guidelines (section H4) state:

Services and Supplies: Only expenditures which can be identified as a direct cost as a result of the mandate can be claimed.

Ineligible Costs

Throughout the audit period, the district claimed material and supplies related to specific reimbursable components by applying an estimated percentage to various invoices. The district claimed items such as pens, Sharpies, paper, envelopes, Kleenex, coffee, Clorox wipes, disinfectant, a headset, a footswitch, dusters, wrist rest/mouse pads, toners, nuts, granola bars, and software totaling \$3,960. These items claimed are generally included as an indirect rather than direct cost item. Further, the district did not tie the costs claimed to specific reimbursable activities and did not support the basis for the percentage allocation.

In addition, the district claimed costs for equipment totaling \$1,854, which included the costs of a computer and a scanner designated for the office of Employer-Employee Relations under the Cost of Negotiation cost component. Allowable costs under this reimbursable cost component relate to materials and supplies used to make copies of the initial and final contract proposal to be distributed to the employer representatives and making a reasonable number of copies for public information. The district did not support the mandated portion of the purchases.

Misclassified Costs

For FY 2009-10, the district also claimed costs of \$4,881 for administrative hearing fees claimed under the Cost of Negotiations cost component and \$500 for cancellation fee of an arbitrator contracted for a collective bargaining contract dispute. These costs should have been claimed under contract services rather than materials and supplies. However, the administrative hearing fees costs are unallowable, as the costs relate to layoffs. Therefore, we reclassified only the \$500 cancellation fee costs to contract services (see Finding 3).

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.7, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensure that all costs claimed are reimbursable per the parameters and guidelines, and are properly supported. Supporting documentations should identify the mandated functions performed as required by the claiming instructions.

District's Response

The district agreed with the finding.

**FINDING 3—
Understated contract
services**

The district claimed \$29,759 in contract services for the audit period. We found that \$88,500 is allowable.

The following table summarizes the audit adjustments for contract services by reimbursable cost components and fiscal year:

Contract Services Reimbursable Components	Amount Claimed	Amount Allowable	Amount Adjustment
<u>FY 2008-09</u>			
G1 - Determining Bargaining Units	\$ —	\$ 10,017	\$ 10,017
G3 - Cost of Negotiations	—	9,625	9,625
G6 - Contract Administration	—	10,251	10,251
G7 - Unfair Labor Practice Charges	—	14,864	14,864
Subtotal, FY 2008-09	—	44,757	44,757
<u>FY 2009-10</u>			
G1 - Determining Bargaining Units	—	—	—
G3 - Cost of Negotiations	—	6,251	6,251
G6 - Contract Administration	—	3,804	3,804
G7 - Unfair Labor Practice Charges	—	5,859	5,859
Subtotal, FY 2009-10	—	15,914	15,914
<u>FY 2010-11</u>			
G1 - Determining Bargaining Units	—	—	—
G3 - Cost of Negotiations	7,142	7,142	—
G6 - Contract Administration	11,537	11,537	—
G7 - Unfair Labor Practice Charges	1,930	1,930	—
Subtotal, FY 2010-11	20,609	20,609	—
<u>FY 2011-12</u>			
G1 - Determining Bargaining Units	—	—	—
G3 - Cost of Negotiations	5,171	5,171	—
G6 - Contract Administration	2,049	2,049	—
G7 - Unfair Labor Practice Charges	1,930	—	(1,930)
Subtotal, FY 2011-12	9,150	7,220	(1,930)
Total	\$ 29,759	\$ 88,500	\$ 58,741

The following table summarizes the audit adjustments for contract services by fiscal year:

Type of adjustment	FY 2008-09	FY 2009-10	FY 2011-12	Total
Reclassified from Finding 1	\$ 39,325 ¹	\$ 14,594 ²	\$ —	\$ 53,919
Reclassified from Finding 2	—	500	—	500
Unsupported costs	—	(37)	(1,930)	(1,967)
Unclaimed costs	5,432	857	—	6,289
Audit adjustment	\$ 44,757	\$ 15,914	\$ (1,930)	\$ 58,741

¹ \$39,325 = \$8,384 (G1) + \$8,302 (G3) + \$7,789 (G6) + \$14,850 (G7)

² \$14,594 = \$5,468 (G1) + \$3,267 (G6) + \$5,859 (G7)

The parameters and guidelines (section H5) state:

Professional and Consultant Services: . . . Invoices must be submitted as supporting documentations with your claim. The maximum reimbursable fee for contracted services is \$135 per hour.

Unsupported costs

Unsupported costs totaling \$37 relate to overstating the billing rate for an attorney. In addition, the district did not provide supporting documentation relating to unfair labor practice charges totaling \$1,930.

Reclassified costs

The district misclassified costs related to allowable costs the district inappropriately claimed under salaries and benefits (see Finding 1) and materials and supplies (see Finding 2).

Unclaimed costs

The district did not claim \$6,289 in costs. We reconciled costs claimed to information on the attorney's billings. Based on our review of the billings, we found that the district did not claim the following reimbursable activities:

- Determining Bargaining Unit cost component: \$1,633 for FY 2008-09.
- Cost of Negotiations cost component: \$2,106, consisting of \$1,323 for FY 2008-09 and \$783 for FY 2009-10.
- Contract Administration cost component: \$2,536, consisting of \$2,462 for FY 2008-09 and \$74 for FY 2009-10.
- Unfair Labor Practice Charges: \$14 for FY 2008-09.

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.7, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensure that all costs claimed are reimbursable per the parameters and guidelines, and are properly supported. Supporting documentations should identify the mandated functions performed as required by the claiming instructions.

District's Response

The district agreed with the finding.

**FINDING 4—
Misstated indirect
costs**

The district claimed \$20,840 in indirect costs for the audit period. We determined that \$3,580 is allowable and \$17,260 is unallowable. The costs are unallowable because district overstated allowable direct costs for the audit period (see Findings 1 through 3) and applied the approved indirect cost rates to the wrong base for FY 2008-09 and FY 2009-10.

The following table summarizes the audit adjustments to indirect costs by fiscal year:

Calculation of adjustment	Fiscal Year				
	2008-09	2009-10	2010-11	2011-12	Total
Allowable increased costs	\$ 58,217	\$ 24,481	\$ 15,418	\$ 2,646	\$ 100,762
Times allowable indirect cost rates	3.26%	3.95%	3.91%	4.19%	
Allowable indirect costs	1,898	967	603	112	3,580
Less claimed indirect costs	(6,505)	(10,395)	(2,345)	(1,595)	(20,840)
Audit adjustment	\$ (4,607)	\$ (9,428)	\$ (1,742)	\$ (1,483)	\$ (17,260)

The district calculated indirect costs for FY 2008-09 and FY 2009-10 by applying the California Department of Education approved indirect cost rate to increased direct costs. In calculating increased direct costs, the district deducted FY 1974-75 base-year Winton Act direct costs for components 1, 2, and 3, as adjusted by the implicit price deflator, from current year Rodda Act direct costs. In calculating the base-year Winton Act direct costs, the district inappropriately deducted base-year contract services prior to applying the implicit price deflator. Contract services should not have been deducted. The error occurred because the district followed the State Controller's Office (SCO) claiming instructions that provided incorrect guidance. The claiming instructions have since been updated.

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.7, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district calculates indirect costs consistent with the updated guidance provided in the SCO's claiming instructions.

District's Response

The district agreed with the finding.

**Attachment—
District's Response to
Draft Audit Report**

BAKERSFIELD CITY SCHOOL DISTRICT

Fiscal Services
1300 Baker Street
Bakersfield, CA 93305-4326
(661) 631-4697

Sherry Gladin, Director
gladins@bcsd.com

Natalie Sorhouet, Assistant Director
sorhouetn@bcsd.com

EDUCATION CENTER, 1300 BAKER STREET
BAKERSFIELD, CALIFORNIA 93305-4326
(661) 631-4600
FAX: (661) 322-1244



June 6, 2014

Jim L. Spano
Chief, Mandated Cost Audits Bureau
California State Controller Office
Division of Audits
P.O. Box 942850
Sacramento, CA 94250-5874

Dear Mr. Spano,

The Bakersfield City School District reviewed the Collective Bargaining Program audit report prepared by the State Controller's Office and we agree with the adjustments made to our mandated claims for the period July 1, 2008 through June 30, 2012.

Please feel free to call if you have any questions.

Sincerely,

Sherry Gladin
Director, Fiscal Services

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874**

<http://www.sco.ca.gov>